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Employment + Income Division

SDC E + I Division, Financial Sector Development

Paris, March 15, 2005

Financial Sector Development (FSD) and Social Performance Assessment (SPA): Rationale, objectives and expectations of SDC



Overview

- Context of FSD
- SDC's Focus in FSD
- Strategic Orientation and Challenges
- Instruments
- **SPA: Rationale, objectives, expectations ...**



1. The context

- Exclusion: only 10 % of people living in poor countries have access to institutionalised financial services: savings, credits and money transfer
- A well functioning financial sector serving the poor is key for reaching the MDGs



2. Focus

- SDC basically pursues a target-group oriented approach in FSD: Poor households, small enterprises and especially women
- Formal and informal financial institutions that have the potential to serve on a permanent and cost covering basis an increasing number of low-income clients



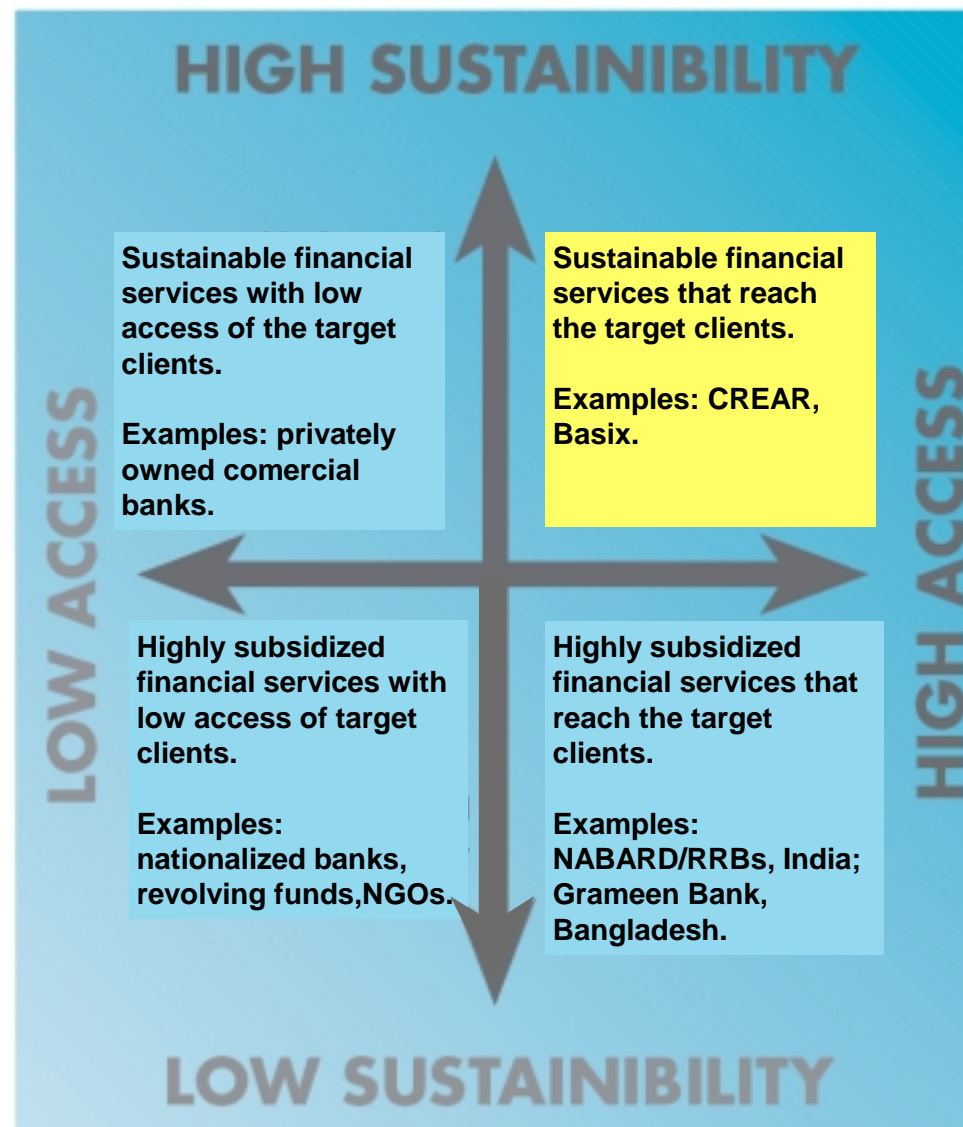
3. Strategic orientations and challenges

- Ascertain outreach and deepening (number of clients and poverty status)
- Product development: savings plans, collateral substitutes, long-term credits, leasing, remittances, insurances
- Serving especially rural areas, with less developed infrastructure and low population density, on a viable basis
- Attract service providers and strategic partners to complement the financial services



Strategy

Our aim is to use suitable instruments and measures to support our partners in their process to move towards or stay in the upper-right square





4. Instruments

- Institutional Development: training, OD, accountability and control mechanisms
(BIRD, CREAM, ASC Albania)
- Promotion of social and financial performance measurement and monitoring
(Microrate, Social Performance Indicator Initiative, Initiative for Regular Performance Evaluation of African MFI's)



5. SPA: Rationale, objectives, expectations ...

- There's a renewed awareness in SDC with respect to poverty reduction and "accountability for results" (e.g. financial and social performance!).
- Indicators to assess financial performance are largely available; impact studies have rarely been undertaken by SDC. SPA as a pragmatic way to be transparent on "results", in the interest of both the FI and donor.
- Serving the poor and excluded requires value-orientation by FIs and SRIs – and instruments to measure "social performance".



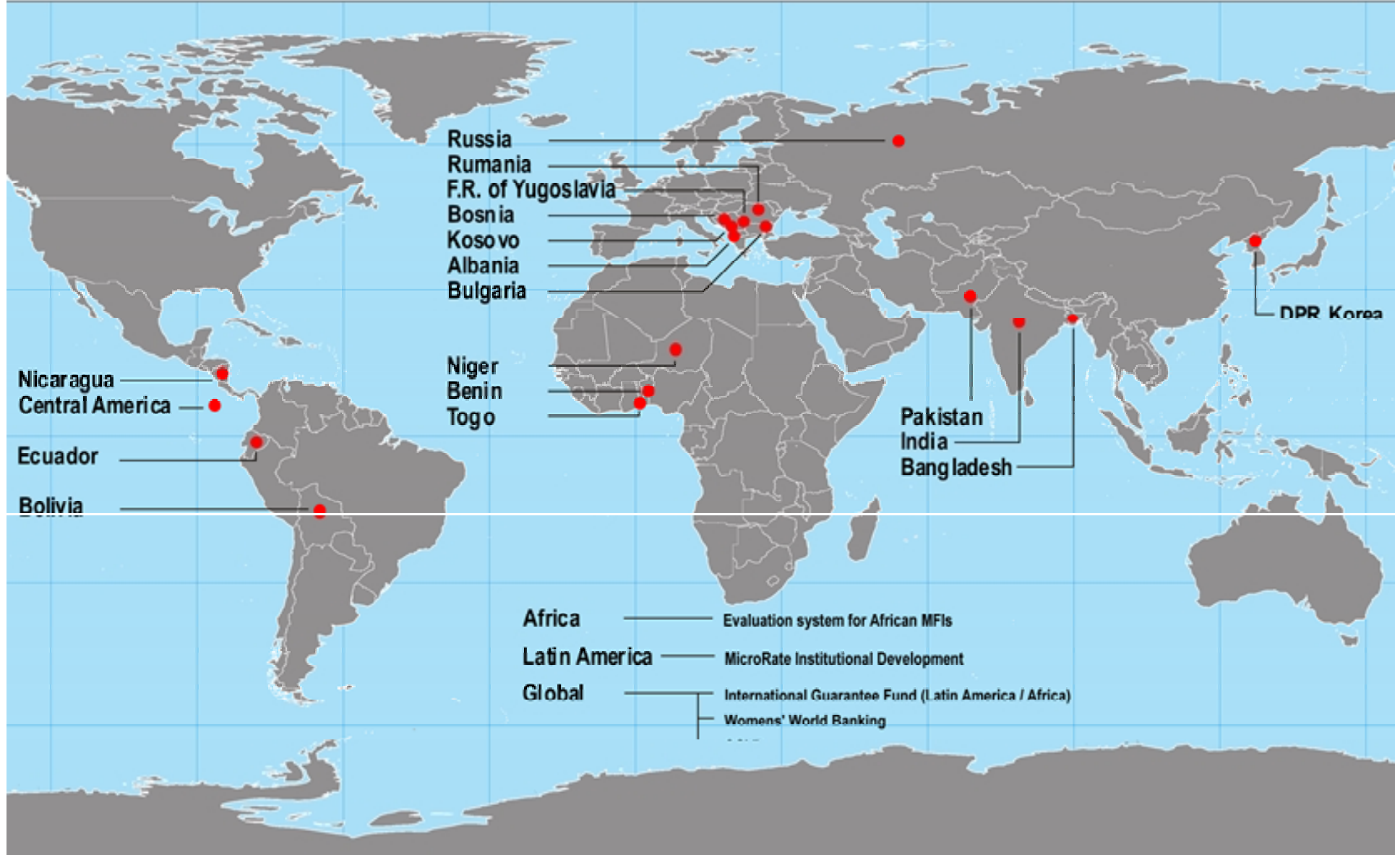
- SDC sees "social and political capital" as an important outcome of FSD programmes which should be monitored.
- Partnership orientation: Importance of dialogue on results, on "who benefits" (target-group orientation).
- SDC intends to promote SPA in its FSD-partnerships; we are also interested in the facilitation of a process to build social performance into the reporting of microfinance investment funds.

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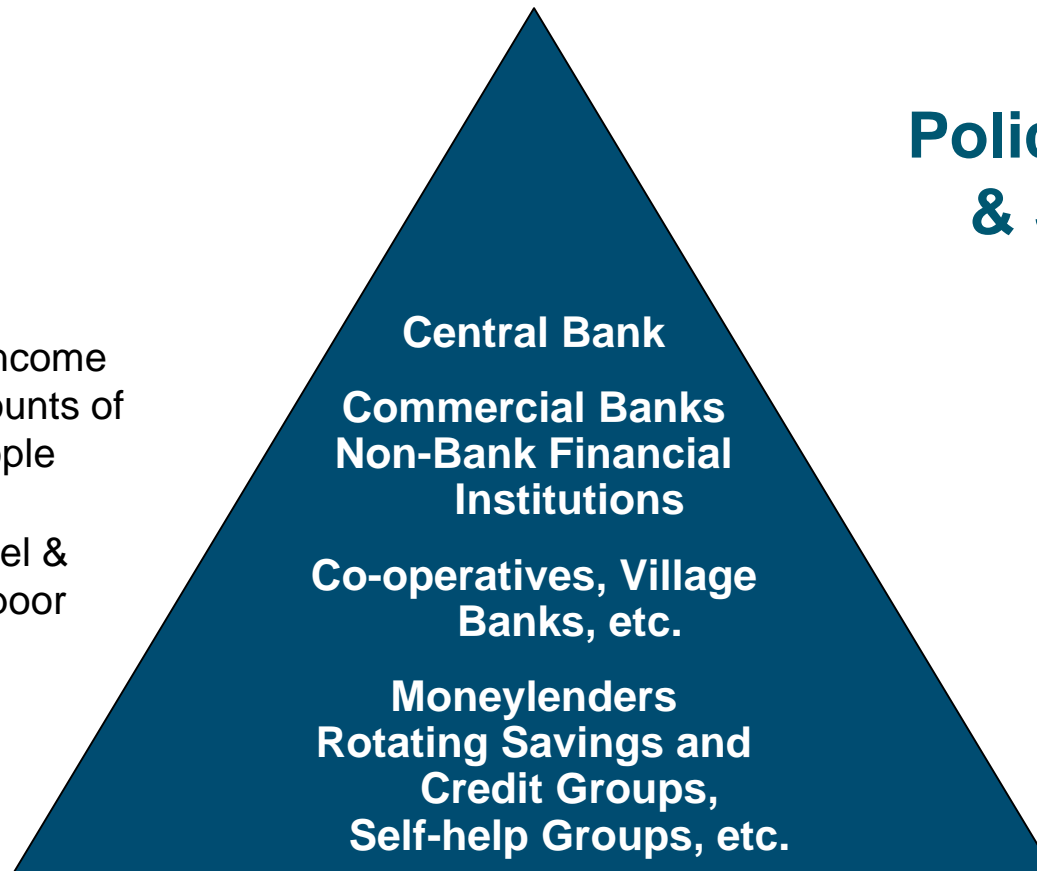


Financial Systems

Market

Middle & higher income level, saving accounts of lower income people

Lower income level & economic active poor



Policy, Regulation & Supervision

Formel sector

Semi formel sector

Informal sector